

## Message Text

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47

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 XMB-04 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-01 INR-07 NSAE-00 CIEP-02

SP-02 STR-04 LAB-04 SIL-01 SAM-01 OMB-01 L-02 OPIC-06

/071 W

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R 021202Z APR 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 0369

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS ROME 4726

PASS TREASURY AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: EC COUNCIL DRAFT OF EXPORT CREDIT GENTLEMEN'S  
AGREEMENT

REF: A. STATE 064908

B. EC BRUSSELS 2595

1. U.S. SUGGESTED CHANGES IN DRAFT GENTLEMEN'S AGREEMENT  
WERE ORIGINALLY TRANSMITTED TO MINISTRY OF TREASURY ON MARCH 24.  
WHEN EMBOFF CALLED ON DR. ZAPPIA ON MARCH 28, ZAPPIA'S  
INITIAL REACTION TO SUGGESTED CHANGES WAS THAT U.S. SEEMED  
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TO BE REOPENING SOME SUBSTANTIVE QUESTIONS WHICH HAD ALREADY

BEEN DEALT WITH AT BRUSSELS MEETING. HOWEVER, AFTER RECEIPT OF EC DRAFT FROM US MISSION EC BRUSSELS, EMBOFF AGAIN DISCUSSED QUESTION WITH ZAPPIA IN MORE DETAIL. LATTER THEN SEEMED REASSURED THAT THERE WAS LITTLE, IF ANY, CHANGE IN SUBSTANCE OF DRAFT AGREEMENT CONTAINED IN LATEST U.S. SUGGESTIONS.

2. RE PROPOSED EXCHANGE OF NOTES CONCERNING ITALIAN INSTITUTIONS TO WHICH GENTLEMEN'S AGREEMENT WOULD BE APPLICABLE, ZAPPIA SAID THAT, IN CASE OF ITALY, NOTE WOULD APPLY TO NATIONAL INSURANCE INSTITUTE (INA) AND MEDIOCREDITO. HE DID NOT CONTEMPLATE EXCHANGE OF NOTES BEFORE MEETING OF PRINCIPALS BUT THOUGHT THAT PRECISE PROCEDURES FOR EXCHANGE WAS STILL TO BE AGREED AT THAT MEETING. ZAPPIA SAID THAT HE HAD DISCUSSED WITH PELIKAN QUESTION OF COVERING ITALIAN SPECIAL CREDIT INSTITUTES IN NOTE. HE ARGUED AGAINST THIS SINCE, IN ABSENCE OF INTERVENTION BY EITHER INA OR MEDIOCREDITO, INSTITUTES BEHAVED IN SAME WAY AS WOULD U.S. PRIVATE BANKS WHEN THEY EXTEND EXPORT CREDIT WITHOUT INTERVENTION OF EXIMBANK. IN FACT, SPECIAL CREDIT INSTITUTES OBTAIN MOST OF THEIR FINANCING FROM RECEIPT OF DEPOSITS AND FROM BOND ISSUES AND NOT FROM GOVERNMENT CONTRIBUTIONS.

3. FOLLOWING ARE COMMENTS ON SOME SPECIFIC U.S. SUGGESTIONS. RE SECTION IV, ZAPPIA UNDERSTOOD U.S. SUGGESTED CHANGE AS BEING ACCEPTANCE BY U.S. OF 15 PERCENT DOWN PAYMENT RATHER THAN 10 PERCENT, WHILE U.S. WOULD CONTINUE TO RESERVE ON 20 PERCENT FIGURE FOR COUNTRIES IN ANNEX II. RE SECTION IV, ZAPPIA COMMENTED THAT HE THOUGHT U.S. PROPOSAL WOULD NEVER BE ACCEPTED BY EC. RE SECTION VII.1.B., ZAPPIA WAS SOMEWHAT PUZZLED AS TO IMPLICATION OF REFERENCE TO "RENEGOTIATION" AND PLANNED TO ASK U.S. DELEGATION ABOUT THIS.

4. ZAPPIA MENTIONED THAT EC GROUP WOULD BE MEETING ON APRIL 9. HE SAID THAT UK HAD SUGGESTED POSSIBILITY OF MEETING OF BROADER GROUP, INCLUDING U.S., AROUND END-APRIL RATHER THAN IN FIRST TEN DAYS IN MAY, AS HAD BEEN ORIGINALLY DISCUSSED. THIS WOULD OPEN UP POSSIBILITY OF PRESENTING AGREED DRAFT TO ENTIRE OECD EXPORT CREDIT GROUP AT ITS MAY 6 MEETING.BEAUDRY

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